

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF

SPECIAL EDUCATION DEPARTMENT - CHARGE CARD USAGE
ANDERSON COMMUNITY SCHOOL CORPORATION
MADISON COUNTY, INDIANA

January 1, 2006 to August 10, 2010



FILED

04/01/2011

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SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Special Education Secretary	Jo Ellen Cope	01-01-06 to 06-30-11
Special Education Director	Rosetta Cummings Angie Vickery	01-01-06 to 06-30-10 07-01-10 to 06-30-11
Treasurer/Business Manager	Kevin Brown	01-01-06 to 06-30-11
Superintendent of Schools	Dr. Timothy Long Dr. Mikella Lowe Lennon Brown (Interim) Dr. Felix Chow	01-01-06 to 07-31-06 08-01-06 to 06-30-09 07-01-09 to 12-31-10 01-01-10 to 06-30-11
President of the Board of School Trustees	Keith Millikan Tobi Jones Teddy Bohnenkamp Philip Morgan Dr. Scott Green	01-01-06 to 06-30-07 07-01-07 to 06-30-08 07-01-08 to 06-30-09 07-01-09 to 06-30-10 07-01-10 to 06-30-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE ANDERSON COMMUNITY SCHOOL CORPORATION

We have audited the records of the Special Education Department – Charge Card Usage, Anderson Community School Corporation for the period January 1, 2006 to August 10, 2010, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Reports of the Anderson Community School Corporation for the years ended June 30, 2006, 2007, 2008, 2009, and 2010.

STATE BOARD OF ACCOUNTS

January 18, 2011

SPECIAL EDUCATION DEPARTMENT – CHARGE CARD USAGE
ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

MISUSE OF GROCERY STORE CHARGE CARD

The Special Education Department has a program that teaches functional skills to special needs students ranging in age from preschool to high school. Food items are a central theme in the program. The School Corporation established a charge card with a local grocery store in order to facilitate timely and easily attainable purchase of food items by Special Education teachers for use in their functional skills classes.

A School Corporation charge card was used by a school employee for unallowable and unauthorized purchases that appeared to be personal in nature. School Corporation Officials first became aware of the situation in June 2010 and placed the employee, Jo Ellen Cope, Special Education Secretary, on unpaid administrative leave.

The internal controls and procedures associated with the physical custody of the charge card were that the card was to be maintained in the Special Education Department in the custody of Jo Ellen Cope. School Corporation policy was for a log to be maintained showing each time the card was distributed, to whom was distributed, and when returned. However, no such log was presented for audit and Special Education personnel indicated a log was not maintained by Ms. Cope. Instead, when a Special Education functional skills teacher needed food supplies, they would come to the Special Education Department and obtain the card directly from Ms. Cope. The teacher would return the card and the paid receipt after obtaining the supplies. Jo Ellen Cope would retain all receipts until the monthly billing statement was received from the grocer's billing offices. The statement, receipts, and authorized purchase order were turned over to the Accounting Office of the School Corporation for processing and payments.

The current Special Education Director advised us Jo Ellen Cope was also authorized to make purchases with the charge card, but only for Special Education Departmental events, such as coffee or cookies for a meeting. At no time was Jo Ellen Cope authorized to purchase food items that could be used in the functional skills classroom setting, nor items for her personal use.

During the School Corporation's initial inquiry, School Corporation Officials learned that Jo Ellen Cope was actually in possession of approximately 10 charge cards with the same account number. Additional cards were believed to have been ordered by Jo Ellen Cope without anyone's knowledge or approval. School Corporation Officials also observed several store receipts they thought were questionable and contacted the grocer for more details.

Since a charge card was used, at the time of payment the purchaser signed a sales draft at the cash register. The grocer was able to provide School Corporation Officials limited information for some purchases made in April and May of 2010. From the grocer provided information, Jo Ellen Cope signed the sales draft at the cash register (otherwise known as the credit card swipe machine located at the register) on three specific occasions. Additionally, for each of those purchases, Ms. Cope used a "Kroger Customer Plus" (Customer Plus) card with an account number ending in "4666" or "2582." A Customer Plus card can be used/swiped at the cash register in order for the customer to receive additional cost savings for certain items purchased. When the Customer Plus card is used, the cardholder's Customer Plus account number is shown on the register receipt with all but the last four digits concealed for security purposes.

We obtained and reviewed all charge card payments to the grocer for the period January 1, 2006 through August 10, 2010, that were paid from Special Education funds. We noted in reviewing the store cash register receipts used to support the charge card payments made, a Customer Plus card was used for almost every purchase. We noted in numerous instances receipts showing items purchased that would not be for use in a functional skills class but appeared to be more personal in nature.

SPECIAL EDUCATION DEPARTMENT – CHARGE CARD USAGE
 ANDERSON COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

The receipts for these items which appeared to be personal indicated a Customer Plus card ending in 4666 was used in all but one instance. The Customer Plus card number used ended in 2582 for the other instance. Both of these Customer Plus account cards were linked to Jo Ellen Cope as described above. Several of the receipts questioned as not relating to school business were for purchases made on weekends, holidays, or other times when school would not normally be in session. Based on our understanding of the internal controls over the use of the grocery store card, the card should not have been used at such times. Below is a general listing of the type of items we noted being purchased with these two Customer Plus numbers:

Alcohol (tequila, vodka, beer); books; magazines; meat; laundry detergent; shrimp; gift cards; Mother's Day, Father's Day and other miscellaneous greeting cards; vitamins; aspirin; toiletries (body wash, lotion, shampoo, toothpaste, ladies deodorant, hairspray); trash bags; toilet paper; flowers; milk; eggs; whole frozen turkey; ham; hearing aid batteries; light bulbs; diet Sprite; and other miscellaneous grocery items.

We grouped these unallowable purchases by calendar year as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 818.49
2007	1,395.76
2008	2,813.25
2009	3,016.41
2010	<u>685.96</u>
Total	<u>\$ 8,729.87</u>

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

We have requested Jo Ellen Cope, Special Education Secretary, reimburse the School Corporation \$8,729.87 for the misuse of the School Corporation charge card to purchase the unallowable items described above. (See Summary, page 10)

ADDITIONAL MISUSE OF GROCERY STORE CHARGE CARD

We observed in addition to the unallowable purchases made using Customer Plus savings cards 4666 and 2582 described in the Audit Result and Comment (ARC) "Misuse of Grocery Store Charge Card," numerous other purchases made with different Customer Plus cards that did not appear to be for items that would have been used in the functional skills classes. These other purchases appear to be

SPECIAL EDUCATION DEPARTMENT – CHARGE CARD USAGE
 ANDERSON COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

personal in nature and were made in the same manner as described in the previous Audit Result and Comment. However, in these instances, fourteen different Customer Plus savings cards and account numbers were used separate from the ones we could directly attribute to use by Jo Ellen Cope, Special Education Secretary.

We asked School Corporation Officials to contact the grocer and attempt to identify who used these other account numbers. School Corporation Officials were told by the grocer that either the information was no longer maintained as the transaction was too old or the grocer could not provide the information citing privacy policies.

Although these other purchases were made with fourteen different Customer Plus accounts, the timing and types of items purchased were similar in nature to those items known to have been purchased by Jo Ellen Cope, Special Education Secretary, as described in ARC "Misuse of Grocery Store Charge Card." Below is a general listing of the type of items we observed:

Books; magazines, whole frozen turkey; flowers, gift cards; laundry detergent; toiletries; socks; balloons; printer toner; diet Sprite; and other miscellaneous grocery items.

We grouped these unallowable purchases by calendar year as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 724.85
2007	367.85
2008	152.75
2009	<u>1,400.71</u>
Total	<u>\$ 2,646.16</u>

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

As described in the previous Audit Result and Comment "Misuse of Grocery Store Charge Card," Jo Ellen Cope, Special Education Secretary, was custodian of the grocery store charge cards. As such, she would be responsible for the proper use and payment concerning the charge card. We have requested Jo Ellen Cope, Special Education Secretary, to reimburse the School Corporation \$2,646.16 for the misuse of the School Corporation charge card for the purchase of the unallowable items described above. (See Summary, page 10)

SPECIAL EDUCATION DEPARTMENT – CHARGE CARD USAGE
ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

BLANKET COMMERCIAL CRIME COVERAGE

The following is a schedule of blanket commercial crime coverage for employees of the School Corporation:

<u>Surety</u>	<u>Period of Coverage</u>	<u>Coverage Amount</u>
Indiana Insurance	10-15-05 to 10-15-06	\$ 500,000
Indiana Insurance	10-15-06 to 10-15-07	500,000
Indiana Insurance	10-15-07 to 10-15-08	500,000
Indiana Insurance	10-15-08 to 10-15-09	500,000
Indiana Insurance	10-15-09 to 10-15-10	500,000

AUDIT COSTS

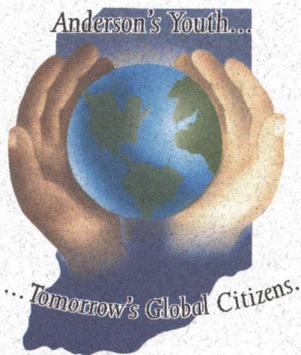
Additional costs were incurred by the State of Indiana during the current audit due to misuse of the grocery store charge card.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SPECIAL EDUCATION DEPARTMENT – CHARGE CARD USAGE
ANDERSON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCES

The contents of this report were discussed on January 18, 2011, with Dr. Scott Green, President of the Board of School Trustees; Dr. Felix Chow, Superintendent of Schools; Kevin Brown, Treasurer/Business Manager; Elizabeth Clark, Human Resources Manager; and Janet Windlan, Supervisor of Accounting. The official response has been made a part of this report and may be found on page 9.

The contents of this report were mailed via certified mailing to Jo Ellen Cope, Special Education Secretary, on January 20, 2011.



Anderson Community School Corporation

Kevin J. Brown, Business Manager and Treasurer

E-mail: kbrown@acsc.net

February 10, 2011

Mr. Bruce A. Hartman, C.P.A.
State Examiner
Indiana State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2765

Re: Supplemental Audit Report
For the period ended
June 30, 2010

Dear Mr. Hartman:

This letter is in response to the "Audit Results and Comments" discussion draft discussed in the exit conference on January 18, 2011 of the Anderson Community School Corporation for the audit period ending June 30, 2010 regarding the supplemental audit report.

Regarding the misuse of the grocery store charge card, the Anderson Community School Corporation has always taken pride in having internal controls that would prohibit as much as possible any theft from occurring. If followed and properly supervised, such procedures are effective in ensuring proper internal control.

In the noted instance, the employee in question violated corporate procedure by not appropriately maintaining the credit card, securing additional cards without authority and by misusing the card for personal gain. In addition, the immediate supervisor did not adequately review all processes and procedures prior to approval. As a result of these breaches, we have tightened the access to the card and have instituted a 100% required review of all purchases to be performed by the Director of Special Education prior to submission for payment.

Thank you for the opportunity to respond to this audit report.

Sincerely,

Dr. Felix H. Chow
Superintendent

Kevin J. Brown
Business Manager and Treasurer

FHC/KJB/at

Cc: Executive Cabinet

101 West 29th Street • Anderson, Indiana 46016 • 765-641-2010 • FAX 765-641-2081

SPECIAL EDUCATION DEPARTMENT – CHARGE CARD USAGE
 ANDERSON COMMUNITY SCHOOL CORPORATION
 SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jo Ellen Cope, Special Education Secretary:			
Misuse of Grocery Store Charge Card, pages 4 and 5	\$ 8,729.87	\$ -	\$ 8,729.87
Additional Misuse of Grocery Store Charge Card, pages 5 and 6	<u>2,646.16</u>	<u>-</u>	<u>2,646.16</u>
Totals	<u>\$ 11,376.03</u>	<u>\$ -</u>	<u>\$ 11,376.03</u>

AFFIDAVIT

STATE OF INDIANA)
)
MADISON COUNTY)

We, Todd E. Caldwell and Lori A. Allen, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Special Education Department, Anderson Community School Corporation, Madison County, Indiana, for the period from January 1, 2006 to August 10, 2010, is true and correct to the best of our knowledge and belief.

Todd E. Caldwell

Lori A. Allen

Field Examiners

Subscribed and sworn to before me this 9th day of March, 2011.

Lana M. Sprato
Notary Public

My Commission Expires: 9/26/2014

County of Residence: Madison